

FINANCIAL STATEMENTS

MCNEESE STATE UNIVERSITY FOUNDATION
(A Non-Profit Corporation)

Years Ended June 30, 2013 and 2012
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors
McNeese State University Foundation
Lake Charles, Louisiana

Report on the Financial Statements

We have audited the accompanying statements of the McNeese State University Foundation (a non-profit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the McNeese State University Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2013, on our consideration of McNeese State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ABC Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Langley, William B., III".

October 23, 2013
Lake Charles, LA

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 5,849,713	\$ 4,469,863
Unconditional promises to give	147,052	148,147
State matching receivable	80,000	-
Total current assets	<u>6,076,765</u>	<u>4,618,010</u>
<u>NONCURRENT ASSETS</u>		
Investments	50,388,241	48,378,760
Donated property	1,069,676	1,069,676
Property held for resale	2,198,704	2,198,704
Total noncurrent assets	<u>53,656,621</u>	<u>51,647,140</u>
Total assets	<u>\$ 59,733,386</u>	<u>\$ 56,265,150</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 81,542	\$ 112,778
<u>NONCURRENT LIABILITIES</u>		
Funds held in custody	<u>6,137,775</u>	<u>5,742,729</u>
Total liabilities	<u>6,219,317</u>	<u>5,855,507</u>
<u>NET ASSETS</u>		
Unrestricted:		
Unrestricted- general	3,282,189	1,953,148
Board- designated endowments	3,885,539	3,959,956
Temporarily restricted	9,837,456	9,134,436
Permanently restricted	36,508,885	35,362,103
Total net assets	<u>53,514,069</u>	<u>50,409,643</u>
Total liabilities and net assets	<u>\$ 59,733,386</u>	<u>\$ 56,265,150</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>REVENUE AND SUPPORT</u>				
Contributions	\$ 32,820	\$ 2,758,344	\$ 754,736	\$ 3,545,900
Investment income (loss), net of fees of \$285,010 for 2013 and \$274,124 for 2012	1,590,135	1,664,881	598,570	3,853,586
Rent	14,309	-	-	14,309
Donated equipment	-	-	-	-
Donated in kind gift	-	-	-	-
Donated services	3,923	-	-	3,923
Grant income	-	-	-	-
Transfer to endowment	(110,000)	-	110,000	-
Other	13,024	-	-	13,024
Net assets released from restrictions: Satisfaction of program expenses	4,036,729	(3,720,205)	(316,524)	-
Total Revenue and Support	5,580,941	703,019	1,146,782	7,430,742
<u>EXPENSES</u>				
Grants paid to benefit McNeese State University for:				
Projects specified by donors	3,038,569	-	-	3,038,569
Dedicated scholarships	715,141	-	-	715,141
Freshman awards	30,000	-	-	30,000
Professorship and endowed scholars	210,000	-	-	210,000
Named honor awards	11,000	-	-	11,000
Excellence awards	10,000	-	-	10,000
Endowed scholars/research awards	6,096	-	-	6,096
In-kind distributions	15,923	-	-	15,923
Fund raising	68,306	-	-	68,306
Supporting services	221,281	-	-	221,281
Total Expenses	4,326,316	-	-	4,326,316
CHANGE IN NET ASSETS	1,254,624	703,019	1,146,782	3,104,426
Net assets at beginning of period	5,913,104	9,134,436	35,362,103	50,409,643
NET ASSETS AT END OF PERIOD	\$ 7,167,728	\$ 9,837,456	\$ 36,508,885	\$ 53,514,069

Year Ended June 30, 2012			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 28,180	2,709,668	\$ 1,309,112	\$ 4,046,960
(1,778,785)	1,412,389	106,894	(259,502)
11,895	-	-	11,895
4,242	-	-	4,242
-	110,000	-	110,000
1,875	-	-	1,875
-	794,412	-	794,412
-	-	-	-
6,898	-	-	6,898
4,186,771	(4,081,171)	(105,600)	-
2,461,076	945,298	1,310,406	4,716,780
3,296,073	-	-	3,296,073
658,986	-	-	658,986
30,000	-	-	30,000
176,000	-	-	176,000
9,500	-	-	9,500
10,095	-	-	10,095
-	-	-	-
6,117	-	-	6,117
87,171	-	-	87,171
267,012	-	-	267,012
4,540,954	-	-	4,540,954
(2,079,878)	945,298	1,310,406	175,826
7,992,982	8,189,138	34,051,697	50,233,817
\$ 5,913,104	\$ 9,134,436	\$ 35,362,103	\$ 50,409,643

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 3,104,426	\$ 175,826
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Net unrealized (appreciation) depreciation in fair value of investment	(801,938)	2,849,595
Net realized gains on sales of investments	(1,991,280)	(1,558,043)
Investment earnings restricted for investment in endowment	(598,570)	(106,894)
Contributions restricted for investment in endowment	(754,736)	(1,309,112)
Bad debt write offs	-	(1,075)
Donated property	-	(40,650)
Change in unconditional promises to give	1,095	6,725
Change in accounts payable	(31,236)	(1,657)
Net cash provided (used) by operating activities	(1,072,240)	14,715
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(10,145,166)	(12,975,376)
Proceeds from sale of investments	11,243,949	13,088,026
Purchase of property held for resale	-	(2,198,704)
Net cash provided (used) by investing activities	1,098,783	(2,086,054)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Contributions restricted for investment in endowment	754,736	1,309,112
Investment earnings attributable to endowed funds	598,570	106,894
Net cash provided by financing activities	1,353,306	1,416,006
NET CHANGE IN CASH	1,379,849	(655,333)
CASH AT BEGINNING OF PERIOD	4,469,864	5,125,197
CASH AT END OF PERIOD	\$ 5,849,713	\$ 4,469,864

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS- (CONTINUED)

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Supplemental cash flow disclosures:		
Non-cash transactions:		
Appreciation (depreciation) in fair value of investments attributable to funds held in custody	<u>\$ 315,046</u>	<u>\$ (58,425)</u>
Increase in funds held in custody due to the increase in state matching receivable	<u>\$ (80,000)</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The McNeese State University Foundation (the Foundation) is a not-for-profit organization which was formed to promote the educational and cultural welfare of McNeese State University by accepting gifts for the purpose of providing scholarships for students, professorships for educational research, or such other designated projects for the benefit of the University. The principal sources of support are from alumni of McNeese State University as well as businesses and individuals located in southwest Louisiana.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, cash in bank, and all highly liquid investments with original maturities of three months or less.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value based on quoted market prices. For those investments where quoted market prices are unavailable, management estimates fair value based on information provided by the fund manager or the general partners. Dividends, interest and other investment income are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets depending on donor stipulations.

Donated investments are recorded at fair market value at date of receipt, which is then treated as cost. Realized gains and losses on dispositions are based on the net proceeds and the adjusted cost basis of the securities sold, using the specific identification method. Realized gains and losses are recognized in the Foundation's current operations.

Donated Property

Donated property is reflected as a contribution in the accompanying statements at its estimated value at date of receipt. Donated properties are not used for Foundation operations.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Funds Held in Custody

The Foundation considers all state matching funds and unexpended income from these funds to be reported as Funds Held in Custody. All Funds Held in Custody are recorded at fair market value.

Contributions

In accordance with FASB ASC 958-225, *Not-for-Profit Entities- Income Statement*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Foundation operated as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations.

The Foundation's federal Return of Organization Exempt from Income Taxes (form 990) for 2011, 2010, and 2009 are subject to examinations by the IRS, generally for three years after they were filed.

The Foundation adopted FASB ASC 740-10 on July 1, 2009. FASB ASC 740-10 provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Management has completed its evaluation of the impact of this standard, and the Foundation is unaware of any tax positions that would require disclosure.

Required Transfers

The Foundation has received various matching grants from the State of Louisiana under the Eminent Scholars Endowed Chairs and Endowed Professorships programs, which are only approved after certain levels of private funding have been raised. The Foundation must comply with certain policies, procedures, and regulation regarding the administration of these programs. One of the requirements of the Board of Regents for Higher Education's investment policy relates to increasing each program's endowment balance each year and some transfers to permanently restricted net assets were made to comply with this policy.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications

Certain reclassifications have been made on the 2012 financial statements and footnotes to conform to the 2013 presentation. Net assets and change in net assets are unchanged due to these reclassifications.

2. CASH AND CASH EQUIVALENTS

The Foundation maintains deposit accounts with large, multi-state financial institutions. The balances at each of these financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Foundation has not experienced any loss in such accounts. As of June 30, 2013, the uninsured balance is \$244,005. The Foundation also has money-market holdings as part of its managed investment accounts. Such balances totaled \$2,139,843 and \$1,348,977 at June 30, 2013 and 2012, respectively, and are not secured.

Deposits with LAMP totaled \$2,730,923 and \$2,428,022 at June 30, 2013 and 2012, respectively. Such deposits are secured by an interest in the underlying investment pool, consisting of U.S. Treasury and agency securities, held by LAMP.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money markets funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA – R.S.33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "investment grade (A-1P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

3. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2013	2012
Unrestricted promises to give	\$ -	\$ 750
Restricted to departmental and scholarship funds	147,052	147,397
	<u>\$ 147,052</u>	<u>\$ 148,147</u>

Management considers unconditional promises to give to be fully collectible, therefore, no allowance for doubtful accounts is considered necessary. At such time as management determines an amount to be uncollectible, it is written off. Unconditional promises to give in the amount of \$2,750, as of June 30, 2013, were deemed uncollectible and written off.

The total amount of unconditional promises to give at June 30, 2013 is expected to be collected as follows:

	2013	2012
Less than one year	\$ 102,188	\$ 77,397
One to five years	44,864	70,750
Total unconditional promises to give	<u>\$ 147,052</u>	<u>\$ 148,147</u>

Certain donors have stipulated in their wills to make donations to the Foundation upon death. The total amount of such conditional promises to give is \$3,487,360 and \$3,685,784 at June 30, 2013 and 2012, respectively. As the donors have placed a condition on the donation, these amounts have not been recorded in the financial statements.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

At June 30, 2013, the Foundation's investments, carried at fair value, consisted of the following:

	2013			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Corporate stock	\$ 11,702,413	\$ 2,876,949	\$ (498,733)	\$ 14,080,629
Intl equity mutual funds	4,665,080	1,010,519	(834,575)	4,841,024
Real estate investment trusts	3,014,258	442,117	(59,826)	3,396,549
Hedge funds	3,542,162	4,394,879	(261,296)	7,675,745
Emerging markets	3,942,762	422,211	(544,648)	3,820,325
Intl fixed income	1,893,827	86,993	(1,159)	1,979,661
Mutual funds	10,996,925	127,416	(32,760)	11,091,581
Treasury inflation- protected securities	3,202,550	258,420	(46,878)	3,414,092
Certificates of deposit	88,635	-	-	88,635
	<u>\$ 43,048,612</u>	<u>\$ 9,619,504</u>	<u>\$ (2,279,875)</u>	<u>\$ 50,388,241</u>

At June 30, 2012, the Foundation's investments, carried at fair value, consisted of the following:

	2012			
	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Estimated Fair Value
Corporate stock	\$ 13,060,296	\$ 1,723,507	\$ (1,026,333)	\$ 13,757,470
Intl equity mutual funds	4,579,126	518,451	(743,957)	4,353,620
Real estate investment trusts	2,888,132	618,843	(2,697)	3,504,278
Hedge funds	3,310,275	3,622,668	(256,411)	6,676,532
Emerging markets	3,783,877	293,946	(510,541)	3,567,282
Intl fixed income	1,864,701	21,712	-	1,886,413
Mutual funds	9,045,774	1,899,165	(186,236)	10,758,703
Treasury inflation- protected securities	3,175,149	610,897	-	3,786,046
Certificates of deposit	88,416	-	-	88,416
Other	-	-	-	-
	<u>\$ 41,795,746</u>	<u>\$ 9,309,189</u>	<u>\$ (2,726,175)</u>	<u>\$ 48,378,760</u>

Market risk could occur and is dependent on the future changes in market prices of the various investments held.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS- (Continued)

Investment earnings included in the statement of activities was comprised of the following for the years ended June 30, 2013 and 2012:

	2013	2012
Interest and dividend income	\$ 1,060,368	\$ 1,032,050
Realized gains on sales of investments	1,991,280	1,558,043
Unrealized gains (losses) on investments	801,938	(2,849,595)
	<u>\$ 3,853,586</u>	<u>\$ (259,502)</u>

The Board of Directors has been advised by legal counsel that under Louisiana state law, the gains from sales of securities and increases in market value are to be treated as principal, and must be retained in endowment fund accounts. However, under the Uniform Management of Institutional Funds Act adopted in Louisiana, such gains and appreciation in value may be expended for the purposes designated by the donors if it is prudent in the judgment of the Board of Directors after considering the long and short term needs of the Foundation, its present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions.

If any donor stipulates that realized and unrealized investment gains should not be spent on the restricted purpose for which a fund was originated, then such gains will be added to investment principal and will not be expendable in the future. No such stipulations were present at June 30, 2013 and 2012.

Investment income from interest, dividends and realized gains and losses are allocated to various activities and programs under the Foundation's investment policy. The portion that pertains to unrestricted and short-term donor restricted activities is reported as unrestricted revenue, and the portion that pertains to permanent endowment activities is reported as temporarily restricted revenue, because it could be expended on the restricted purposes of the endowments in subsequent periods.

The Foundation invests in a hedge fund. The investment is a sophisticated, multi-strategy, multi-manager program designed to achieve an optimal balance of upside return potential and downside protection. The investment offers a diversified strategy protecting and preserving the Foundation's capital and a hedged equity strategy providing long-term capital growth. Both strategies also work to deliver risk-adjusted returns by capturing the market's return potential but with much less volatility. The portfolios are constructed using a time tested, disciplined methodology focused first on risk management. The managers then work to identify strategies within a framework and to develop relationships with investment managers. The derivative instrument is designated as a fair value hedging instrument. The fund's fair market value was \$7,675,745 and \$6,676,532 at June 30, 2013 and 2012, respectively. The Foundation's objective is to maximize its returns related to this investment. The Foundation does not invest in individual hedge funds, but instead, monitors the activity and returns of the manager. The Foundation's investment committee continuously examines the returns of the manager to ensure the Foundation's investment objectives are reached.

The returns from this hedge fund are reported and posted quarterly reflecting the fair market value as of the reporting date. The earnings on the hedge fund are included in unrealized gains (losses) in the Statement of Activities.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

5. DONATED PROPERTY

The carrying values of donated property consisted of the following at June 30, 2013 and 2012:

	2013	2012
650-acre farm, Lake Charles, Louisiana	\$ 350,000	\$ 350,000
Property at 1608 Sampson Street, Westlake, Louisiana	170,525	170,525
96.86 acre farm, Kinder, Louisiana	358,500	358,500
Art work	190,650	190,650
	<u>\$ 1,069,675</u>	<u>\$ 1,069,675</u>

The Foundation has agreed that both farms would be used primarily by the Agriculture Department of McNeese State University and would never be sold.

6. PROPERTY HELD FOR RESALE

In August 2011, the Foundation purchased a Meat Processing Plant for \$899,549 and in December 2011 they purchased land on W. Sale Road for \$1,299,154.

7. FUNDS HELD IN CUSTODY

The Foundation participates in a program with the State of Louisiana (the Eminent Scholars/Endowed Professorships Program sponsored by the Louisiana Board of Regents) whereby the State contributes matching funds which, together with donations received by the Foundation, establishes endowment funds, which are accumulated in accounts segregated from other Foundation funds. The state match constitutes 40% of the total endowment. The earnings on these funds are to be used for professorships. The Foundation considers donations received from donors into this fund to be permanently restricted net assets and all state matching funds as funds held in custody. The liability "Funds held in custody" represents the lesser of 40% of the fair value of the segregated accounts or the original state match amount plus required increases to cover inflation.

Funds held in custody are the state matching funds totaling \$6,137,775 and \$5,742,729 as of June 30, 2013 and 2012, respectively. The Foundation has received matching funds of \$4,320,000 and \$4,240,000 from the State of Louisiana as of June 30, 2013 and 2012, respectively, under the professorship program detailed in Note 1.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

7. FUNDS HELD IN CUSTODY- (Continued)

The following is a recap of these endowments (both the Foundation and State portions) as of June 30, 2013 and 2012:

June 30, 2013			
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Funds held in custody	\$ 498,182	\$ 5,639,593	\$ 6,137,775
Foundation portion	747,274	8,459,389	9,206,663
Total endowed professorships and chairs	<u>\$ 1,245,456</u>	<u>\$ 14,098,982</u>	<u>\$ 15,344,438</u>
June 30, 2012			
	Residual Income Over Expenses	Original Principal	Total
State portion:			
Funds held in custody	\$ 463,509	\$ 5,279,220	\$ 5,742,729
Foundation portion	695,263	7,918,830	8,614,093
Total endowed professorships and chairs	<u>\$ 1,158,771</u>	<u>\$ 13,198,051</u>	<u>\$ 14,356,822</u>

8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors as follows:

	2013	2012
Projects specified by donors	\$ 3,038,569	\$ 3,296,073
Dedicated scholarships	715,141	648,248
Freshman award scholarships	30,000	30,000
Professorship awards	210,000	176,000
Named honor award scholarships	11,000	9,500
Excellence award scholarships	10,000	10,095
Endowed scholars/research awards	6,096	-
In-kind distributions	15,923	6,117
Other distributions	-	10,738
	<u>\$ 4,036,729</u>	<u>\$ 4,186,771</u>

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS

Net assets were temporarily restricted for the following purposes at June 30, 2013 and 2012:

	2013	2012
Scholarships	\$ 1,681,331	\$ 1,600,694
H.C. Drew Institute	1,209,408	781,290
Other University Projects	955,113	947,186
Property held for resale	2,198,704	2,198,704
Property held for rent	170,525	-
Donated art work	190,650	190,650
Institutional support	3,284,672	3,267,764
Other	147,053	148,148
	<u>\$ 9,837,456</u>	<u>\$ 9,134,436</u>

Net assets were permanently restricted for the following purposes at June 30, 2013 and 2012:

	2013	2012
Eminent Scholars/Endowed Professorships	\$ 9,206,663	\$ 8,614,093
Scholarships	16,498,377	15,719,784
H.C. Drew Institute	6,000,000	6,000,000
Donated real estate held for research projects	708,500	879,025
Other University projects	4,095,345	4,149,201
	<u>\$ 36,508,885</u>	<u>\$ 35,362,103</u>

10. ENDOWED NET ASSETS

The Foundation has established prudent investment and spending policies with the objective of maintaining the purchasing power of its endowed assets in perpetuity and to provide a stable level of support to the beneficiaries. To achieve this objective, the Foundation's asset allocation strategy is reviewed periodically and adjusted to target a total return that covers inflation, administrative expenses, and spending allocations, while minimizing volatility. Certain endowed funds are provided by the State of Louisiana as a match to qualifying private endowed contributions and are managed under agreement with the University for the University's benefit. These endowed assets are further subject to the investment and spending policies established by the Louisiana Board of Regents, which has statutory authority to administer the matching fund program.

A spending rate is determined by the Foundation Board of Directors on an annual basis, with consideration given to the market conditions, the spending levels of peer institutions, and the level of real return after spending measured over a rolling sixty-month time period. The spending rate approved by the Board is applied to the sixty-month moving average market value of the investment pool of endowed assets. The objective is to provide relatively stable spending allocations. For the 2012 through 2013 fiscal year the net spending rate approved by the Board of Directors was 0%. The Louisiana Board of Regents spending policy dictates that no portion of the inflation-adjusted corpus, as defined by the Board of Regents, is to be allocated for spending.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

10. ENDOWED NET ASSETS- (Continued)

The Foundation Board of Directors has chosen to manage a portion of its unrestricted net assets as part of the endowed funds investment pool. At June 30, 2013 and 2012, the market value of these Board Designated Endowed Funds is \$3,885,539 and \$3,959,956, respectively.

Composition of and changes in professorships for donor-restricted endowment funds for the year ended June 30, 2013 was as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2012	\$ 3,959,956	\$ 3,329,172	\$ 35,362,104	\$ 42,651,232
Investment return	2,763	1,432,823	\$ 598,570	2,034,156
Contributions	32,820	-	754,736	787,556
Transfer to create board- designated endowment funds	(110,000)	-	110,000	-
Released from restrictions	-	(916,141)	(316,525)	(1,232,666)
Endowment net assets, June 30, 2013	<u>\$ 3,885,539</u>	<u>\$ 3,845,854</u>	<u>\$ 36,508,885</u>	<u>\$ 44,240,278</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor- restricted endowment	\$ -	\$ 3,845,854	\$ 36,508,885	\$ 40,354,739
Board- designated endowment	3,885,539	-	-	3,885,539
	<u>\$ 3,885,539</u>	<u>\$ 3,845,854</u>	<u>\$ 36,508,885</u>	<u>\$ 44,240,278</u>

11. FAIR VALUES OF FINANCIAL INSTRUMENTS

Effective for fiscal year ended June 30, 2010, the Foundation adopted FASB ASC 820-10-50, *Not-for-Profit Entities-Fair Value Measurements and Disclosures*, which provides enhanced guidelines for measuring fair value. The standard requires the Foundation to provide expanded information about the assets and liabilities measured at fair value and the potential effect of these fair valuations on the Foundation's financial performance. The standard does not expand the use of fair value in any new circumstances but provides clarification on acceptable fair valuation methods and applications.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. FAIR VALUES OF FINANCIAL INSTRUMENTS- (Continued)

FASB ASC 820-10-50 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I — Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level I are publicly traded equity securities.

Level II — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III — Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Fair value for these investments is determined using valuation methodologies that consider a range of factors, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant measurement judgment. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

11. FAIR VALUES OF FINANCIAL INSTRUMENTS – (Continued)

The following table summarizes the valuation of the Foundation's investments by the above FAS 157 fair value hierarchy levels as of June 30, 2013:

	Assets at Fair Value as of June 30, 2013			Total
	Level 1	Level 2	Level 3	
Corporate stock	\$ 14,080,629	\$ -	\$ -	\$ 14,080,629
International equity mutual funds	4,841,024			4,841,024
Real estate investment trusts	3,396,549	-	-	3,396,549
Hedge funds	-	10,646	7,651,884	7,662,530
Emerging markets	3,820,325	-	-	3,820,325
International fixed income	1,979,661			1,979,661
Mutual funds	11,091,581	-	-	11,091,581
Treasury inflation-protected securities	3,414,092			3,414,092
Side-pocket funds	-	-	13,215	13,215
Certificates of deposit	88,635	-		88,635
Total assets at fair value	<u>\$ 42,712,496</u>	<u>\$ 10,646</u>	<u>\$ 7,665,099</u>	<u>\$ 50,388,241</u>

The table below includes a roll-forward of the amounts of Level 3 investments in the statement of financial condition for the year ended June 30, 2013 (including the change in fair value).

	Hedge funds	Side-pocket funds	Total
Balance at June 30, 2012	\$ 6,625,669	\$ 22,581	\$ 6,648,250
Net purchases and sales	272,105	(9,366)	262,738
Unrealized gains (loss)	754,111	-	754,111
Balance at June 30, 2013	<u>\$ 7,651,884</u>	<u>\$ 13,215</u>	<u>\$ 7,665,099</u>

Equitas Evergreen Fund, L.P. (hedge fund) has identified \$13,215 and \$22,581 as of June 30, 2013 and 2012, to be side-pocket funds that are considered illiquid by their investment manager.

12. TRANSACTIONS WITH THE UNIVERSITY

Pursuant to the affiliation agreement between the Foundation and the University, the University provides certain personnel services and usage of office space and equipment for Foundation operations. In return, the Foundation provides, solicits and manages funds for the benefit of the University.

A portion of the grants, such as scholarships and professorships, is paid directly to McNeese State University to be disbursed to final beneficiaries. Such expenses totaled \$968,631 and \$915,539 for the years ended June 30, 2013 and 2012.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

13. DEVELOPMENT EXPENSES

The Foundation incurred expenses totaling \$68,306 and \$87,171 for the years ended June 30, 2013 and 2012, respectively, relating to development and fundraising. Such amounts are included in the accompanying statements of activities.

14. SUPPORTING SERVICES

The following is the details on supporting services from statement of activities as of June 30:

	2013	2012
Contributions	\$ 8,811	\$ 10,960
Computer hardware and software	6,535	780
Computer training and consulting	11,400	14,342
Dues	10,341	6,642
Foundation events	21,843	11,893
Insurance	17,468	19,100
Investment advisory services	-	35,000
Miscellaneous office expenses	1,775	6,783
Planned giving and donor research	32,513	34,246
Professional fees	49,500	38,362
Property expenses	677	28,723
Salary paid to the University	4,193	4,064
Service charges	25,955	22,466
Staff recognition	8,193	3,595
Supplies	7,980	10,189
Travel	14,097	19,867
	<u>\$ 221,281</u>	<u>\$ 267,012</u>

15. CAPITAL CAMPAIGN

As of November 2006, the Foundation initiated a capital endowment campaign, known as "Building a Solid Foundation", to raise \$15 million by the end of 2010. As of June 30, 2013 the Foundation has collected \$15,130,896 out of the \$17,526,914 that is committed.

Starting January 2013, the Foundation initiated another capital endowment campaign, known as "Seventy-five for Seventy-five", the purpose to raise total assets up to seventy-five million dollars. The campaign is the silent phase and will officially begin January 1, 2014. As of June 30, 2013, the Foundation has collected \$1,981,244 out of the \$2,005,953 that is committed thus far.

MCNEESE STATE UNIVERSITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

16. FEDERAL FINANCIAL ASSISTANCE

The Foundation has been awarded a grant from the U.S. Department of Housing and Urban Development to provide decent housing, a suitable living environment, and expanded economic opportunities, principally for persons of low and moderate income. The grant is considered to be an exchange transaction. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. Grant activity for the years ended June 30, 2013 and 2012 was as follows:

	2013	2012
Refundable advances, beginning of year	\$ 4,863	\$ -
Grant receipts	-	794,412
Grant expenditures	-	(789,549)
Refundable advances, end of year	<u>\$ 4,863</u>	<u>\$ 4,863</u>

17. SUBSEQUENT EVENTS

Management of the Foundation is not aware of any subsequent events through October 23, 2013, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2013.

SUPPLEMENTAL INFORMATION

MCNEESE STATE UNIVERSITY FOUNDATION

**SCHEDULE OF REVENUE AND EXPENSES MADE ON BEHALF OF THE
UNIVERSITY'S INTERCOLLEGIATE ATHLETICS PROGRAMS**

June 30, 2013

	Beginning Balance	Revenue	Expense	Ending Balance
Athletic Professional Development	\$ 5,434	\$ 4,000	\$ 7,393	\$ 2,041
MSU Girl's Golf Team	2,562	76,152	57,646	21,068
Basketball	7,495	57	4,219	3,333
Baseball - Diamond Chapter	15,109	49,697	60,539	4,267
MSU Men's Golf Team	1,993	87,089	66,339	22,743
MSU Girl's Softball	15,601	29,468	28,013	17,056
Athletic Director	4,456	41,031	43,593	1,894
MSU Goalie Booster Chapter	11,203	23,776	17,294	17,685
MSU Track - General	32,135	86,723	107,115	11,743
MSU Volleyball	1,216	-	-	1,216
Dugout Chapter	11,125	38,816	34,210	15,731
MSU Basketball "Tip Off"	12,881	19,460	28,400	3,941
MSU Tennis Booster	2,918	-	-	2,918
Girl's Basketball Booster	8,206	29,164	37,212	158
MSU Football	31,548	100,519	99,776	32,291
McNeese Quarterback Chapter	24,150	13,150	33,183	4,117
Petrochem Athletic Assn	63,135	87,614	88,723	62,026
McNeese Cowboy Chapter	9,523	104,133	103,743	9,913
Dowell Fontenot Sports Medicine	2,297	1,000	2,673	624
MSU Volleyball - General	13,405	20,009	18,075	15,339
MSU Athletic Foundation	(2,072)	43,083	22,472	18,539
MSU Athletic Traditions	121,394	98,626	112,239	107,781
MSU Athletics - Strength Dept	655	26,616	15,777	11,494
Tennis Camps	14,318	42,852	19,735	37,435
Fieldhouse Renovations	59,109	1,304	60,203	210
Sports Info Poster Acct	9,228	740	8,502	1,466
Athletic Marketing Fund	4,901	10,416	13,420	1,897
Football Field Turf Project	5,540	-	-	5,540
McNeese Cheerleaders	158	6,827	6,894	91
Student Athlete Advisory Committee	1,480	1,051	1,392	1,139
Basketball Head Coaches Fund	-	37,500	13,045	24,455
Football Goody Bags	-	3,720	2,971	749
Cowboy Club General Sch. Fund	300	-	-	300
	<u>\$ 491,403</u>	<u>\$ 1,084,593</u>	<u>\$ 1,114,796</u>	<u>\$ 461,200</u>

MCNEESE STATE UNIVERSITY FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Recovery Act</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantors Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development: Economic Revitalization Grant Program		14.228	N/A	-
Total expenditures of federal awards				<u>\$ -</u>

The accompanying notes are an integral part of these statements.

MCNEESE STATE UNIVERSITY FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – (CONTINUED)

For the Year Ended June 30, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B. Pass-through entity identifying numbers are presented where available.

**COMPLIANCE
AND
INTERNAL CONTROL**



Langley, Williams & Company, L.L.C.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

McNeese State University Foundation
Lake Charles, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the McNeese State University Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McNeese State University Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the McNeese State University Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the McNeese State University Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

Finding 2013-1

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the McNeese State University Foundation's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

McNeese State University Foundation's Response to Findings

McNeese State University Foundation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. McNeese State University Foundation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the McNeese State University Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the McNeese State University Foundation, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, reading "Langley, William B., Jr.".

Lake Charles, Louisiana
October 23, 2013



Langley, Williams & Company, L.L.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the McNeese State University Foundation
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the McNeese State University Foundation's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the McNeese State University Foundation's major federal programs for the year ended June 30, 2013. The McNeese State University Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the McNeese State University Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the McNeese State University Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the McNeese State University Foundation's compliance.

Opinion on Each Major Federal Program

In our opinion the McNeese State University Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the McNeese State University Foundation, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the McNeese State University Foundation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the McNeese State University Foundation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management of the McNeese State University Foundation, the Legislative Auditor of the State of Louisiana and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Langley, Williams & Co., LLC
Lake Charles, Louisiana
October 23, 2013

McNeese State University Foundation
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiency identified not considered
to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements
noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiency identified not considered
to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A-133,
Section.510 (a) ☐ Yes ☒ No

Identification of major programs:

CFDA Number

14.228

Name of Federal Program or Cluster

U.S. Department of Housing and Urban Development
Economic Revitalization Grant Program

Dollar threshold used to distinguish between
Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

McNeese State University Foundation
Lake Charles, Louisiana

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan

For the Years Ended June 30, 2013 and 2012

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
Current year (6/30/13)						
Internal Control:						
2013- 01 (IC)	6/30/2013	Instance where employee charged a business expense on his credit card and turned in a reimbursement request on the same item. The Foundation paid the credit card as well as gave him the reimbursement. Found no record of the employee reimbursing the Foundation for the the item that was paid twice.	Yes	The foundation has put in place review procedures to help mitigate future double reimbursements. The foundation, on a monthly basis, now requires all employees with reimbursable expenses to complete a detailed excel spreadsheet explaining each expense in full detail as well as provide receipts for the expenses. For expenses paid by credit card, the foundation will verify that the card used was a personal card and not the card issued by the foundation.	Richard Reid	10/23/2013

Compliance:

There was no instance of non-compliance that needs to be reported.

Prior year (6/30/12)

Internal Control:

There was no findings in regards to internal control that needs to be reported.

Compliance:

There was no instance of non-compliance that needs to be reported.



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
McNeese State University Foundation

We have performed the procedures enumerated below, which were agreed to by the Louisiana Board of Regents, solely to assist you with respect to accounting records of the McNeese State University Foundation for the year ended June 30, 2013. McNeese State University Foundation's management is responsible for accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

- 1) Verified the Foundation's endowment for the Eminent Scholars endowed Chairs Program and the Endowed Professorship Program have been managed in compliance with provisions set forth in the Board of Regents Statement of Investment Policy and Objectives.

Comment: No exceptions noted

- 2) Verified that the annual financial reports for the Eminent Scholars endowed Chairs Program and the Endowed Professorship Program submitted to the Board of Regents were mathematically accurate and agreed to the accounting records of the Foundation.

Comment: No exceptions noted

- 3) Verified the proceeds of the endowed chairs were used in accordance with the provisions as set forth in the Board of Regents Endowed Chair Program Policy and the proceeds of the endowed professorships were used in accordance with the provisions as set forth in the Board of Regents Endowed Professorship Program Policy.

Comment: No exceptions noted

- 4) Verified the Foundation complied with all provisions of the Management Agreement with the University.

Comment: No exceptions noted

- 5) Verified investments earnings generated from pooled assets involving endowed chair or professorship money have been properly allocated to the chairs and professorships in accordance with the Louisiana Board of Regents Statement of Investment Policy and Objectives.

Comment: No exceptions noted

- 6) Verified the value of the state funds held by the Foundation as reported in its audited financial statements is equal to the amount recorded in the University's Book.

Comment: No exceptions noted

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Foundation, the MSU system, and the Board of Supervisors, and should not be used by anyone other than those specified parties.



Langley, Williams & Company, L.L.C.
Lake Charles, LA
August 30, 2013



Langley, Williams & Company, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
McNeese State University Foundation

We have performed the procedures enumerated below, which were agreed to and requested by the University of Louisiana System, solely to assist them in evaluating the accounting records of the McNeese State University Foundation for the year ended June 30, 2013. McNeese State University Foundation's management is responsible for accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Verify that the Foundation did not make loans to or allocate any net earnings or assets to the benefit of its directors, officers, or other private persons. Any payments made to these persons were for reasonable compensation for services rendered or reimbursement for reasonable travel expenses.

Comment: *No exceptions noted*

2. Verify that the Foundation made no political contributions nor reimbursed any employee for politically-related expenses that would violate IRS guidelines for 501 (c)(3) organizations. Accordingly, the Foundation did not provide funds to or on behalf of university employees to endorse political parties or candidates, attend political fund-raisers, participate in lobbying activities, etc.

Comment: *No exceptions noted*

3. Verify that the Foundation preserved, in accordance with donor intent, the principal of any endowments, and disbursements from the expendable portion of those funds were made in compliance with donor intent and to eligible recipients or for eligible purposes.

Comment: *No exceptions noted*

4. Verify that donations were properly recorded in the accounting records in accordance with donor intent.

Comment: *No exceptions noted*

5. Verify that the Foundation did not deposit or hold public funds at any time during July 01, 2012 to June 30, 2013, except for 1) Endowed Chair and Endowed Professorships Program funds held in accordance with a Funds Management Agreement or 2) project funds held in accordance with a cooperative endeavor agreement.

Comment: *No exceptions noted.*

6. Verify that all the contracts between the Foundation and any member of its Board of Directors, any member of the UL System of Supervisors, any UL System employee, or any university employee have been individually disclosed in the notes to the financial statements, regardless of the significance of the contract payments to total Affiliate expenses. The applicable Related Parties note includes the names of the parties to the contract, the services provided, the amount paid as of the date of the financial statements, and the maximum amount of the contract.

Comment: *No exceptions noted.*

7. Verify that the funds for supplemental compensation and/or benefits for a UL System or University employee were paid to the System Office or University for disbursement to the employee: no supplemental payments were made directly to an employee unless specifically approved by the Board Office or University.

Comment: *No exceptions noted*

8. Verify on a quarterly basis, the Foundation reported to the UL System all single payments of \$1,000 or more made to or on behalf of any individual university employee.

Comment: *There were 5 exceptions of payments to employees that were not submitted to the UL System. The Foundation has no procedure in place to determine if an individual is an employee. On July 1, 2013, the reimbursement request form has been updated to include a section for employee identification. Also, on mcneese.edu, a faculty & staff search has been added to the website and is updated on a daily basis. As of August 29, 2013, the 5 missed employees payments were corrected and submitted to the UL Systems.*

9. Verify a sample of disbursements less than \$1,000 made to or on behalf of university employees has been reviewed for compliance with the policies contained in the Affiliation Agreement, "Affiliate Funding and Administration."

Comment: *No exceptions noted*

10. Verify that the accompanying financial statements include a supplementary schedule of all revenues, expenses and capitalized expenses made to or behalf of the university's intercollegiate athletics program. Verified that this schedule is fairly stated in relation to the financial statements taken as a whole.

Comment: *Report included in the financial statements*

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Foundation, the University of Louisiana Systems, and the Board of Supervisors, and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink that reads "Langley, Williams & Co., L.L.C." The signature is written in a cursive, flowing style.

Langley, Williams & Company, L.L.C.
Lake Charles, LA
August 30, 2013